



Governor Presents 1997-98 Budget to State Legislature

On January 10, the Governor unveiled a new budget for fiscal year 1997-98 and a revision of the current fiscal year budget.

General Fund Budget Summary (Dollars in Millions)

	<u>1996-97</u>	<u>1997-98</u>
Beginning Resources	\$685	\$648
Revenues and Transfers	<u>\$48,406</u>	<u>\$50,657</u>
Total Resources	\$49,091	\$51,305
Expenditures	<u>\$48,443</u>	<u>\$50,301</u>
Fund Balance	\$648	\$1,004
Budget Reserves:		
Special Fund for Economic		
Uncertainties (Rainy-day reserve)	\$197	\$553
Reserve for Liquidation of		
Encumbrances	\$451	\$451

The State General Fund revenue is enhanced significantly by the economic recovery. The current fiscal year is projected to end with a \$648 million fund balance. From all economic indications, the State's economy will continue to grow in 1997-98. The budget projects a General Fund balance in excess of \$1 billion. Of this amount, over \$550 million is set aside as a "rainy-day reserve."

The economic recovery has also improved the State's General Fund cash position. Based on the experience of the first six months, total cash receipts for the current year are projected to be \$1 billion over budget. The State will be able to pay off the principal and interest related to the \$3 billion 1996 Revenue Anticipation Notes in June 1997 and still have over \$4 billion of internal borrowable resources.

Bonds For Student Loan Programs

During 1997, the California Educational Facilities Authority (CEFA) will be issuing bonds for two student loan programs. These programs will help finance higher education costs for students attending four-year colleges in California. Since tax-exempt bonds will be sold for these loan programs, students will have lower borrowing costs and fixed interest rates. CEFA anticipates the first sale to occur within the next few months.

Treasurer's New Appointments

The State Treasurer has appointed the following teams to assist him in the upcoming bond sales (see sales calendar on the back page):

Franchise Tax Board Refunding

Senior manager: Morgan Stanley & Co. Inc.
Co-managers: Stone & Youngberg LLC, Prager, McCarthy & Sealy
Bond counsel: Sheppard, Mullin, Richter & Hampton LLP
Co-bond counsel: Chan Law Group PLC
Pricing advisor: Howarth Montague and Associates

East Bay State Office Building Refunding

Senior manager: PaineWebber Incorporated
Co-managers: Goldman Sachs & Co., Union Bank of California, N.A., Reinoso & Company, Inc., Great Pacific Securities
Bond counsel: Nossaman, Guthner, Knox & Elliot
Co-bond counsel: Quateman & Zidell, LLP
Pricing advisor: Metropolitan West Securities

State Public Works Board Master Refunding

Senior manager: Bear, Stearns & Co. Inc.
Co-managers: Lehman Brothers, J.P. Morgan Securities Inc., Alex Brown & Sons Incorporated, Stephens Inc., Artemis Capital Group, Inc.
Bond counsel: Orrick, Herrington & Sutcliffe
Co-bond counsel: Law Offices of Joaquin A. Talleda
Pricing advisor: Public Resources Advisory Group

State Public Works Board, California Community Colleges

Senior manager: Prudential Securities Incorporated
Co-managers: BA Securities, Inc., E.J. De La Rosa & Co., Inc., Sutro & Co., Inc. William E. Simon & Sons Municipal Securities, Inc., Redwood Securities Group, Inc.
Bond counsel: Brown & Wood
Pricing advisor: Evensen Dodge, Inc.

General Obligation Bonds

Bond counsel: Orrick, Herrington & Sutcliffe
Co-bond counsel: Lofton, DeLancie & Nelson
Disclosure counsel: Cox, Castle & Nicholson, LLP
Financial advisor: Public Resources Advisory Group

Continued on back page

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Ask the State Treasurer

Q: Why must I submit a Form W-9 each time one of my bonds matures or is called for early redemption?

A: Under Federal Law, the State Treasurer's office is required to have the correct Taxpayer Identification Number prior to making any principal payments. Our office requires a newly executed Form W-9 for each payment we make to bondholders to assure we are reporting accurate information to the Internal Revenue Service.

Q: I recently purchased a State of California bond through my broker and noticed that my name was registered incorrectly. How do I get this corrected?

A: Within 60 days of the registration date on your bond, we recommend that you take the bond back to your broker. Your broker will submit the bond to our office and, if necessary, your broker will adjust their records.

If you have already received your interest payment or 60 days has elapsed since the registration date, you can submit the bond to our office or to your broker. However, a Bond Assignment with a Medallion Signature Guarantee must accompany your request to correct the registration on your bond.

Questions???

Do you have a question you would like to ask the Treasurer? Send it to the *Investor Relations Program* at the address on the previous page.

The Treasury Note Mailing List

If you would like to be on the mailing list to receive *The Treasury Note* monthly, please send your name and address to the *Investor Relations Program* at the address on the previous page.

Bond Sales Calendar*

If you are interested in purchasing any of these bonds, please contact your broker about two weeks before the sale date. For updated information regarding upcoming sales, please contact the State Treasurer's office at (916) 653-3243.

BOND SALES	AMOUNT (in millions)	SALE DATE
General Obligation Bonds	\$500 million to \$1 billion	March 1997
Department of Water Resources Variable Rate Bonds	\$18	March 1997
State Public Works Board-California Community Colleges and Various Refunding	\$70-110	April 1997
Department of Veterans Affairs Refunding	\$108	May 1997
State Public Works Board Master Refunding	\$15-350	Market Watch
East Bay State Office Building Refunding	\$50	Market Watch
Franchise Tax Board Refunding	\$25	Market Watch

*Subject to change without notice

Continued From Page 1

Department of Veterans Affairs Refunding

Senior manager: Bear, Stearns & Co. Inc.

Co-managers: Lehman Brothers, Great Pacific Securities

Pricing advisor: O'Brien Partners Inc.

Department of Water Resources Variable Rate Bonds

Senior manager: J.P. Morgan Securities Inc.

If you are interested in these bonds, please contact the firms listed above.

Listing of Redemptions

This listing reflects redemptions officially announced as of February 1, 1997. These bonds will be redeemed on March 1, 1997.

California Housing Finance Agency Home Mortgage Revenue Bonds, 1986 Series B (Partial Redemption)

\$15,825,000 due August 1, 2016 will be redeemed.

If there are any questions regarding the purpose or timing of this call, please call (916)653-3451. For redemption or registration information, please call (916)653-2884.

Attention: Registered Bondholders

The State Treasurer's office is planning to implement an Electronic Fund Transfer (EFT) program for bond interest payments. If you would be interested in receiving your interest payments via (EFT), please call (916) 653-2884.